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ORIGIN EB-08
INFO OCT-00 ADS-00 AID-07 INR-10 EUR-12 SS-15 CIAE-00
EA-10 DODE-00 H-01 IO-15 NSCE-00 NSAE-00 COME-00
L-03 LAB-04 CTME-00 TRSE-00 INT-05 ITC-01 PA-01
CEA-01 OMB-01 STR-11 INRE-00 AGRE-00 FRB-03 SIG-03
ICAE-00 SP-02 SPRS-02 /115 R
DRAFTED BY EB/OFP/FPD:GMILLER
APPROVED BY EB/ORF/OFP/FPD:BRFURNESS
USDA/FAS:RWADSWORTH
EUR/RPE:EMARCOTT
EUR/SOV:NBURAKOW
EA/ANZ:PLANGFORD
USTR:SEARLY
EB/OT:DGRANT
------------------230304 0702477Z /62

O 070101Z AUG 81 ZFK
FM SECSTATE WASHDC
TO EC COLLECTIVE IMMEDIATE
AMEMBASSY CANBERRA IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY WELLINGTON IMMEDIATE
INFO USMISSION GENEVA IMMEDIATE
AMEMBASSY SUVA IMMEDIATE
AMEMBASSY MOSCOW PRIORITY
C O N F I D E N T I A L STATE 208877
GENEVA FOR USTR MISSION
E.O. 12065: N/A
TAGS: EAGR, ETRD, EEC, NZ
SUBJECT: BUTTER SALE ANNOUNCED
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REF: A) STATE 199244; B) STATE 200298; C) STATE 207590
1(U). ON AUGUST 5, THE UNITED STATES DEPARTMENT OF AGRICULTURE ANNOUNCED THAT AGREEMENT HAD BEEN REACHED TO SELL 100,000 METRIC TONS (220 MILLION POUNDS) OF BUTTER FROM COMMODITY CREDIT CORPORATION (CCC) STOCKS TO THE NEW ZEALAND DAIRY BOARD (NZDB). THE BUTTER IS BEING SOLD SUBJECT TO THE CONDITION THAT THE NZDB NOT RESELL IT DIRECTLY TO THE USSR. ACTION ADDRESSEES SHOULD ADVISE HOST GOVERNMENTS(FOR USTR GENEVA GATT CPS) AS APPROPRIATE.
2.(U) IN ADDITION TO BACKGROUND PROVIDED IN REF C PLUS MODIFICATION AND AMPLIFICATION BEING PROVIDED SEPTEL, POSTS MAY DRAW ON THE FOLLOWING POINTS AS NEEDED IN DISCUSSING THIS SALE WITH HOST GOVERNMENTS.
(A)(LOU) THE UNITED STATES EXPLORED ALL OPTIONS
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DEPARTMENT OF STATE A/DOS/IMR
REVIEWED BY g DATE 4/4/84
DES ☐ or XDS ☐ EXT. DATE
TS AUTH. DAS
CLASSIFIED ☐ BY
DECLASSIFIED ☑ E.O. 12065
DEL or POI EXEMPTIONS B1, X5

NOTE F-

SECRET
EXCISE

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FOR RESPONSIBLE DISPOSAL OF OUR BUTTER. BUDGETARY CONSTRAINTS LIMIT THE USE OF BUTTER FOR FOOD AID. FYI WE ARE USING SOME OF OUR NON-FAT DRY MILK (NFDM) POWDER IN PL 480 TITLE II ASSISTANCE PROGRAMS . WE SOLD 30,000 TONS OF BUTTER AND 30,000 TONS OF NFDM TO POLAND FOR ZLOTYS EARLIER THIS YEAR. WE WILL ALSO BE USING 48,000 TONS OF BUTTER THIS YEAR IN DOMESTIC PROGRAMS SUCH AS SCHOOL LUNCHES, WELFARE, MILITARY AND VETERANS ADMINISTRATION HOSPITALS AND PRISONS. THE U.S. MILITARY WILL ALSO USE ABOUT 900 TONS OVERSEAS.END FYI

(B) (LOU) WE CONSULTED WITH THE WORLD'S MAJOR

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Release - per ES + A/EDC

BUTTER EXPORTERS, NEW ZEALAND AND THE EUROPEAN COMMUNITY. NEW ZEALAND REPRESENTATIVES HAVE DISCUSSED THE TRANSACTION WITH AT LEAST SOME EC MEMBER COUNTRIES AS WELL. THE PRESENT AGREEMENT REFLECTS THESE CONSULTATIONS AND PROTECTS THE WORLD MARKET FROM DISRUPTION. IT WILL NOT INTERFERE WITH ORDERLY TRADING BY TRADITIONAL EXPORTERS IN THEIR NORMAL MARKETS.

(C) (LOU) THE CONTRACT WITH NEW ZEALAND PROHIBITS U.S. BUTTER SALES WHICH WOULD COMPETE WITH NEW ZEALAND SALES DURING THE LIFE OF THE CONTRACT (SEPTEMBER 1, 1981 TO JUNE 30, 1982). THE U.S.DOES NOT PLAN TO BECOME A REGULAR COMMERCIAL EXPORTER OF BUTTER. THE UNITED STATES IS TAKING STEPS TO

CURTAIL THE RATE OF GROWTH OF OUR BUTTER AND OTHER DAIRY PRODUCT STOCKS. IN LATE MARCH, FOR EXAMPLE, THE PRESIDENT SIGNED LEGISLATION CANCELLING THE UPWARD ADJUSTMENT IN PRICE SUPPORTS WHICH HAD BEEN SCHEDULED FOR APRIL 1. THE ADMINISTATION IS SUPPORTING LEGISLATION WHICH WOULD ALLOW MILK PRICES TO BE SUPPORTED AT BETWEEN 70 AND 90 PERCENT OF PARITY, AS OPPOSED TO THE MIMIMUM LEVEL OF 80 PERCENT OF PARITY MANDATED BY CURRENT LEGISLATION AND THE 75 PERCENT MINIMUM IN PERMANENT LEGISLATION. IF CONGRESS TAKES NO ACTION, THE PERMANENT LEGISLATION WILL GO INTO EFFECT ON OCTOBER 1 AND THE MINIMUM PRICE SUPPORT LEVEL WOULD THEN FALL TO 75 PERCENT OF PARITY.

(D) (LOU) NEW ZEALAND HAS AN ESTABLISHED TRADING RELATIONSHIP WITH THE USSR WHICH INCLUDES SALES OF NEW ZEALAND BUTTER TO THE SOVIET UNION. THE EC ALSO SUPPLIES THE SOVIET MARKET. THE UNITES STATES HAS NOT RPT NOT RESTRICTED SALES OF BUTTER OR

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PROCESSED BUTTER PRODUCTS (E.G. BUTTEROIL) BY THIRD PARTIES.
(E)THUS THE UNITED STATES VIEWS THIS SALE AS AN EXCEPTIONAL ACTION TO DEAL WITH AN UNUSUAL AND EXPENSIVE BUILD UP OF SURPLUS DAIRY PRODUCTS. WE BELIEVE WE HAVE TAKEN EVERY REASONABLE STEP TO INSURE THAT THE WORLD MARKET IS NOT DISRUPTED BY OUR ACTIONS. THIS ACTION REPRESENTS NO RPT NO CHANGE IN OUR OPPOSITION TO THE SALE OF SUBSIDIZED AGRICUITURAL COMMODITIES ON THE WORLD MARKET OR SUBSIDIZED TRADE TO THE USSR IN GENERAL.

Bill AS ✓

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